

Message Text

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INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-01 PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 DODE-00 PM-04 /091 W

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R 041430Z MAR 76

FM AMCONSUL MILAN

TO AMEMBASSY ROME

INFO SECSTATE WASHDC 4596

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1. EXECUTIVE OFFICER AND CONGEN MET MARCH 2 WITH
18 LOMBARDY YOUNG MANAGERS FOR FOUR HOUR OFF-THE-
RECORD DISCUSSION OF ITALIAN POLITICAL ECONOMIC SITUATION
AND U.S. ROLE IN ITALY.

2. SIXTEEN MEN AND TWO WOMEN WERE IN EARLY THIRTIES
WITH EXECUTIVE RESPONSIBILITIES IN LOMBARDY INDUSTRY
RANGING FROM CONFECTIONARY TO STEEL. ALL WERE OFFICERS
OR MEMBERS LOCAL MANUFACTURERS YOUNG EXECUTIVE ORGANIZATION.
UNIFORMLY BRIGHT, WELL EDUCATED, DIRECT,
WELL-INFORMED AND ARTICULATE, THEY HAD MET WITH
AMBASSADOR VOLPE IN 1973 AND WERE VERY CONSCIOUS OF HIS
URGING THAT THEY GET OUT AND ASSUME RESPONSIBILITY IN
POLITICAL LIFE AS WELL AS BUSINESS. SEVERAL HAD DONE SO
IN REPUBLICAN PARTY.

3. WHILE INDIVIDUAL SECTORS AND FIRMS REPORTED DIFFERING
SITUATIONS, MAJOR CONCLUSION OF ECONOMIC DISCUSSION WAS
THAT MEDIUM AND SMALL BUSINESS WAS HEALTHY AND COULD
PROSPER IF POLITICAL CLIMATE WOULD IMPROVE. UNCERTAINTY
ABOUT WIDE RANGE OF GOVERNMENT POLICIES - INTEREST

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RATES, EXCHANGE RATES, PUBLIC SPENDING, TAX POLICY - AND

VIRTUAL BREAKDOWN OF FUNCTIONING OF CENTRAL GOVERNMENT IN ABSENCE OF STRONG CABINET LED TO ECONOMIC WALLOWING. RECOVERY HAD BEGUN IN LATE 1975 AND EARLY 1976 BUT LATEST CRISIS AND PRESENT MORO MINORITY GOVERNMENT CAUSED BUSINESSES TO LIVE FROM DAY TO DAY. NO ONE WISHED RISK FURTHER INVESTMENT AND ALL EAGER TO PROTECT ASSETS BY MOVING THEM ABROAD. DANGER WAS THAT BUDDING RECOVERY WAS BEING SPOILED BY THIS POLITICAL SITUATION.

4. GROUP ARGUED THAT MAJOR WEAKNESSES WERE ALSO HOPELESS STATE OF ITALIAN BUREAUCRACY AND POOR MANAGERIAL TRAINING OF BUSINESS COMMUNITY. FAILURE OF ITALIAN EDUCATIONAL SYSTEM TO PREPARE MODERN MANAGERIAL TALENT WITH FULL RANGE OF TECHNICAL AND SOCIAL RELATIONS SKILLS WAS SEEN AS LONG-TERM HANDICAP.

5. VIEWS ON TRADE UNION CLIMATE ESPECIALLY INTERESTING. ALL AGREED UNIONS RELATIVELY REASONABLE AND TRACTABLE. RELATIONS WERE FAIRLY DECENT AND THERE WAS NONE OF USUAL UNION BAITING HEARD FROM OLDER GENERATION OF INDUSTRY LEADERS. AS USUAL, COMMUNIST-SOCIALIST CGIL DESCRIBED AS MOST REASONABLE AND BEST INFORMED ABOUT REAL PROBLEMS. WHILE GROUP SYMPATHIES LAY WITH CATHOLIC CISL, THERE WAS AGREEMENT THAT BY TRYING TO OUTFLANK CGIL ON LEFT, IT WAS MUCH MORE ERRATIC AND IRRESPONSIBLE.

6. AS FOR THE POLITICAL OUTLOOK, THE PREVALENT VIEW WAS THAT THE COMMUNISTS WOULD SOON BE INCLUDED IN THE NATIONAL GOVERNMENT BUT THAT WOULD NOT GREATLY CHANGE ANYTHING. NOT ALL AGREED. SOME DOUBTED THAT THE COMMUNISTS WANTED TO ENTER THE GOVERNMENT SINCE THEY KNEW THE PROBLEMS TO BE INSOLUBLE. OTHERS WERE CONVINCED THAT, ONCE IN POWER, THE COMMUNISTS WOULD OUST THE BERLINGUER LEADERSHIP AND FOLLOW STANDARD EASTERN EUROPEAN PRACTICE.

7. BUT THE GREATER NUMBER CONCLUDED THAT THE COMMUNISTS WOULD NOT MAKE A GREAT DIFFERENCE. HE LIMITED OFFICIAL USE

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REASONING WAS THAT THE COMMUNISTS WOULD NOT HAVE A MAJORITY BY THEMSELVES AND THEREFORE COULDN'T EVEN TRY TO DICTATE POLICY. MOREOVER, THE PROBLEMS WERE NOT SUSCEPTIBLE TO RAPID SOLUTION. EXPERIENCE WITH THE COMMUNISTS IN LOCAL GOVERNMENTS SINCE JUNE 15 SHOWED THAT THEIR IDEAS WERE NOT PARTICULARLY INNOVATIVE NOR THEIR ABILITY MUCH ABOVE THAT OF OTHERS. NOR COULD THEY IMAGINE LEAVING THE CONSTRAINTS

OF THE WESTERN SYSTEM SINCE THE SOVIET UNION HAD
NEITHER THE MEANS NOR THE MOTIVATION TO UNDERWRITE
THE ITALIAN ECONOMY AS DID THE WESTERN STATES.

8. THERE WAS UNANIMOUS AGREEMENT THAT THE CHRISTIAN
DEMOCRATS AND SOCIALISTS WERE HOPELESS. THEIR
NATIONAL LEADERSHIP WAS DISMISSED AS CORRUPT,
INCOMPETENT, DISHONEST AND DISCREDITED. AND THEY
WERE BOTH GETTING THEIR JUST DESERTS FROM A
DISGUSTED PUBLIC. ON THE OTHER HAND, THERE WAS
GENERAL AGREEMENT THAT THE REJUVENATION OF THE
CHRISTIAN DEMOCRATS WAS ABOUT THE ONLY HOPE TO
AVOID COMMUNIST ACCESSION TO POWER ALTHOUGH THE
ODDS FOR BRINGING THIS OFF WERE VERY POOR.

9. THE U.S. WAS NOT VERY WELL PERCEIVED. THE
UNANIMOUS VIEW WAS THAT THE U.S. WAS PARTLY
RESPONSIBLE FOR THE ITALIAN POLITICAL MESS BECUASE
IT HAD BANKROLLED THT CORRUPT LEADERSHIP OF THE DC
FOR SOME DECADES AND HAD DONE NOTHING TO HELP
CREATE EITHER A NEW GENERATION OF DC LEADERS OR TO
STRENGTHEN THE SOCIALISTS. IT WAS NOT JUST MONEY
EITHER. IT WAS FAVORING AND HELPING THE PARTY
BOSSES WHO ALLOWED NO NEW LEADERSHIP TO EMERGE.

10. MOREOVER, THE U.S. WAS CRITICIZED FOR NO
LONGER SUPPORTING OR FOR OBSTRUCTING THE MOVEMENT
TO EUROPEAN UNITY - A GOAL TO WHICH THE GROUP WAS
VERY STRONGLY COMMITTED.

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11. THERE WERE SUSPICIONS THAT THE CIA AND LOCKHEED SCANDALS WERE LEAKED AT THE INITIATIVE OF THE U.S. G. IN ORDER TO DISCREDIT AND DESTROY DEMOCRATIC GOVERNMENT IN ITALY. A CENTRAL QUESTION WAS THE MOTIVATION FOR THESE REVELATIONS, WHICH WERE HARDLY MORE THAN CONFIRMATION OF THE DETAILS OF CORRUPTION THAT ANY CORNER GROCER ALREADY KNEW ABOUT AT FIRST HAND.

12. UNEXPECTEDLY, THE GROUP WAS CRITICAL OF THE U.S. ALLEGED USE OF THE PRESIDENT OF THEIR OWN ORGANIZATION, GIOVANNI AGNELLI, AS ITS CHOSEN INSTRUMENT IN ITALY. AND IN THE SAME BREATH WAS THE FREQUENTLY HEARD ACCUSATION THAT THE U.S. WAS PROTECTING MICHELE SINDONA, THE ACCUSED EMBEZZLER.

13. ONE UNEXPECTED CRITICISM, SHOWED BY MANY, WAS THAT THE U.S. ERRED IN NOT PRESSING ITALIANS MORE ENERGETICALLY TO ACCEPT AMERICAN ADVICE ABOUT ITALIAN PROBLEMS. AMERICA WAS SAID TO BE SUFFERING

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FROM A CULTURAL INFERIORITY COMPLEX SINCE IT HAD HAD MORE EXPERIENCE AND GREATER SUCCESS WITH MODERN DEMOCRACY THAN ANY OTHER SOCIETY IN THE WORLD.

14. THE FINAL ENCOURAGING NOTE, AND ONE THAT WE ARE BEGINNING TO HEAR OCCASIONALLY, WAS THAT THE CIA AND LOCKHEED EXPOSEES WERE TRIBUTES TO THE POWER AND VITALITY OF AMERICA'S DEMOCRATIC SOCIETY WHICH, LIKE THE WATERGATE HEARINGS AND TRIALS, WERE A LESSON IN CIVIC VIRTUE FOR DEMOCRATIC REGIMES EVERYWHERE.FINA

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